

## European market for pharmaceutical and industrial ethanol grades

### 4th quarter 2022

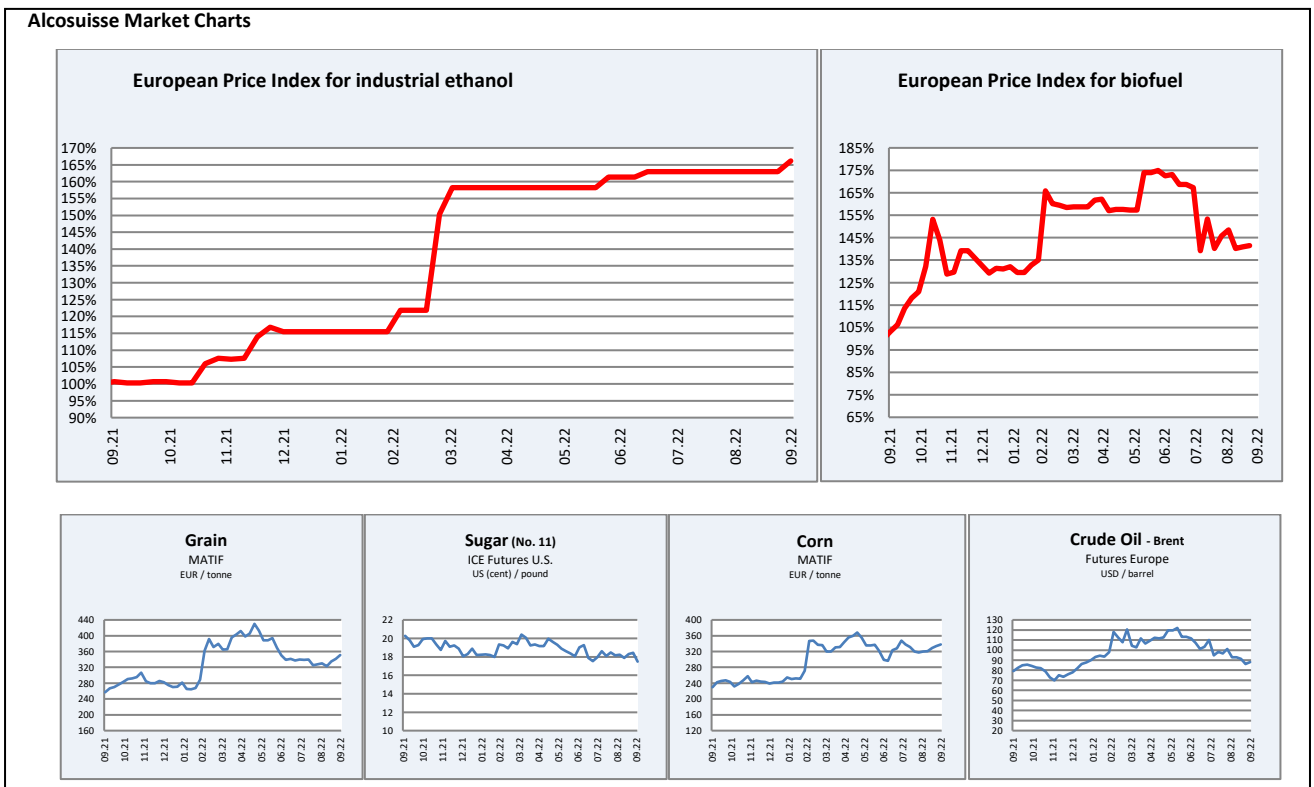
The forecast for the price development for pharma and beverage grade ethanol is relatively stable until the end of this year. We expect prices to roughly level off at the enormously high level to which they climbed in the wake of the Ukraine crisis. Further price increases are not expected in the short term, as most large consumers have concluded their contracts until the end of the year and the slightly regressive energy costs (oil and especially gas) had a positive effect on production costs. Compared to European prices, the Swiss market also benefited from the strong Swiss Franc mitigated the effects of the inflation related price increases.

### Long-term situation

It is very difficult to make a reliable forecast for the price development in 2023, as the uncertainties regarding the relevant price parameters are enormous. On the supply side, the risk of exorbitant energy costs still dominates. For the winter months, a further increase in costs is still very likely. Particularly the gas price, which is key for ethanol production cost in Europe, continues to show strong upward risks despite the current easing on the spot market. The risk of production stops due to a lack of energy and/or excessively high energy costs is still very real, especially in Eastern Europe and in Germany. In addition to the high energy costs, producers suffer from generally rising production costs due to the high inflation, which will support the price-driving effect. And the poor sugar beet harvest in large parts of Europe due to the very dry summer months will certainly also have a significant negative impact on availability.

In contrast to the supply side, the signs on the demand side are bearish. The general economic situation and key indicators for economic development forecast a strong cooling of economic growth, anticipating a recession in Europe for the first half of 2023. We therefore expect somewhat lower demand in the pharmaceutical and chemical sectors in 2023. In the biofuel sector, the poor demand is currently already reflected in significantly lower prices (around -30% compared to the highest values in early summer).

In summary, it can be said that the relevant parameters on the demand and the supply side are pointing in very different directions. In our assessment, the price-driving tendencies will still predominate for the first half of 2023. In addition, we see significant risks regarding product availability: besides the production risks, there are still major problems in freight transport in Europe which will hardly improve in the winter months. Due to these big uncertainties on the market, we recommend especially to those consumers who are dependent on ethanol as a production material, to secure their volumes as early and sustainably as possible, at least for the first quarter of 2023.



**Note:** The Alcosuisse Market Report is based on multiple market sources within the European Union and Switzerland. As one of the largest ethanol buyers in Europe alcosuisse receives regularly up-to-date price and market information from practically all major market players. Nevertheless, all information in this report remains an estimation of future developments that can never be forecasted with an absolute guarantee. Therefore, alcosuisse accepts no liability for decisions based on the content of this report and its charts. Contact: For more information or a firm offer please contact our customer service at [info@alcosuisse.ch](mailto:info@alcosuisse.ch) or call +41 31 309 17 17

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